



SOUTH TO SOUTH LEARNING NETWORK

The HIV Prevention Interchange

Multi-year Procurement, Budget Planning and Allocation of Domestic Resources for a Successful National Condom Programme

A Case Study from South Africa



BRIEF OVERVIEW OF SOUTH AFRICA'S HIV CONTEXT



South Africa is considered the epicentre of the HIV pandemic and has the largest HIV epidemic in the world, with roughly 8.2 million people living with HIV in 2021 (19.5% of the adult population). Despite the high burden, the annual number of new adult HIV infections had declined by 49% between 2010 and 2019, from 370,000 to 190,000 (UNAIDS, 2021). HIV prevalence in South Africa varies greatly across age, race, gender, socio-economic status and geographical location. The burden is, however, greatest amongst women, young people and key populations including sex workers (SW), people who inject drugs (PWID), and men who have sex with men (MSM), transgender people (TG) and inmates (NDOH, 2016). In general, however, condom use amongst KP (98% of MSM, 86% of SW at last paid sex) is higher than in the general adult population (58% of females, 65% of males with non-regular partners) (UNAIDS, 2021b).

In South Africa, the HIV response is coordinated by the South African National AIDS Council (SANAC) and guided by the National Strategic Plan (NSP) for HIV, TB and STIs (2017-2022). Goal One of the NSP focuses on South Africa's approach to accelerating prevention to reduce new HIV and TB infections and STIs. The combination HIV prevention approach incorporates behavioural, structural and biomedical interventions and includes condoms.

Despite large scale HIV prevention efforts resulting in a decrease in new infections, high-risk sexual behaviour with insufficient levels of condom use continue to drive the HIV epidemic.

OVERVIEW OF SOUTH AFRICA'S CONDOM PROGRAMME

The promotion of correct and consistent condom use has been a longstanding strategy for the National Department of Health (NDOH) in the response to the HIV epidemic. Condoms have been distributed to the public in South Africa since 1992 (female condoms from 1998) and South Africa is the largest procurer of condoms (male and female) in the world. The country's female condom programme specifically, is also considered one of the largest and most established in the world (AVERT, 2020). NDOH distributed 657 million, 642 million and 537 million male condoms in the 2018-2020 financial years, respectively. This is below the respective annual targets of 953 million, 990 million and 850 million as reflected in the South Africa National Strategic Plan for HIV, TB and STIs 2017 - 2022. Female condoms distributed remained fairly constant in this period with around 16 million distributed annually; well below the target of 40 million per annum.

According to the 2021 South African HIV Investment Case (Meyer-Rath *et al.*, 2021) condom use remains the most cost-effective, and only cost-saving, HIV prevention strategy in South Africa. This evidence, along with strong advocacy groups from the civil society sector, continues to safeguard support for resource allocation to the condom budget within the basket of HIV prevention interventions.

Government funding for the HIV programme constitutes 71% of total funding (NASA, 2021). Furthermore, the condom programme itself is primarily domestically funded, with around 80% funded through government resources, and the remaining 20% through out-of-pocket payments to the private sector. The reliance on a consistent flow of domestic funding to support procurement has enabled South Africa to avoid the supply

challenges typically faced by countries that rely on external, donor-driven funding to procure condoms. A reliance on external funding is often characterized by procurement peaks and troughs that disrupt distribution and increase wastage and can, in exceptional cases, force programmes to seek serial “donor bailouts” where one donor after another will step in to procure condoms for one or two years, then move on – oftentimes leaving gaps in procurement when they do (Mann Global Health, 2019).

National trends indicate that condom use declined between 2008 and 2012 and have since largely stagnated (15–24-year-olds), or slightly increased (over 25-year-olds) but not to the levels in 2012 (SABSSM, 2019). This has prompted the DOH to take a fresh look at programmes and consider new interventions and strategies to increase condom use. Following a perception study amongst young people, the government rebranded their condoms in 2016 and increased variants to include different scents and colours. Further, DOH is in the process of launching a new branded condom targeting youth. Product variation was accompanied by a new condom communication strategy. Strong partnerships between the private and non-governmental sector agencies distribute condoms to the hotel industry, universities and other non-traditional outlets such as taverns and places of entertainment

Consistent and strong support for the procurement of condoms is a cornerstone to South Africa’s effective and

National Condom Communication Plan (2020-2025)

The **main aim** of the plan is to create consistent users of condoms, and is guided by **four main principles**:

- (1) Use of multimedia: mass media-, interpersonal-, and community-based communication channels
- (2) Tailored communication for targeted groups
- (3) Standardised multi-sectoral response
- (4) Evidence-based communication messages

sustainable strategy to mitigate the impact of HIV. Reliable domestic sources of funding have ensured that South Africa has a consistent supply of condoms, and enabled programmes to focus on addressing constraints such as demand creation and last-mile distribution.

BUDGET PLANNING AND ALLOCATION TO THE CONDOM PROGRAMME

The South African condom market formally consisted of three sectors all serving different needs: the public sector (distributes fully subsidised condoms); the social marketing sector (distributes partially subsidized condoms at low cost); and the commercial sector (for-profit sale of condoms). The former social marketing sector, however, no longer subsidizes condoms but sells it at full cost recovery¹ and now forms part of the commercial sector. South Africa aims to implement a total market approach through coordination of these three sectors, but unlike with other HIV commodities (e.g., ARVs), the private sector competes with the public sector in the condom market. Government does not have full insight into the private sector condom market and it is thus challenging for the public sector to directly plan with the private sector when estimating targets and developing budgets.

Priority interventions funded by the HIV Conditional Grant (2021)

- HIV Care and Treatment
- **Condom distribution**
- Interventions for high-transmission areas
- Post-exposure prophylaxis
- Training for HCWs
- Prevention of mother-to-child transmission
- Programme management strengthening
- HIV counselling and testing services
- Medical male circumcision
- TB screening and prevention for HIV patients
- Advocacy, Communication and Social Mobilisation

At national level, the annual distribution targets and related condom budget is based on a study that estimated the average annual condom use per person above the age of 15 years. National spending on condoms increased year-on-year from 2017/18 to 2021/22, with the exception of the 2019/20 financial year. The decline in 2019/20 can be ascribed to supply constraints resulting in unspent budget. Resources were subsequently redirected to other areas in order to not forfeit resources from the HIV programme for subsequent years. The total budget for the condom programme is on average around 1.5% of the total HIV conditional grant budget. However, the national target has

¹ The revenues from sales of these brands meet or exceed the total cost of sales.

also been decreased from 2019/20 to 2020/21 and 2021/22 from roughly 1 billion to 750 million given the observed drop in demand in recent years.

The condom programme is funded through the comprehensive HIV/AIDS conditional grant (HIV CG) by which National Treasury (NT) ring-fences funding for priority HIV interventions. The HIV CG is allocated to provinces proportionally as determined by the NDOH allocation formula which is published in the Division of Revenue Act annually. Funds are managed through provincial departments of health (PDOHs) under conditions of careful budgeting, spending, tracking of funds, and detailed reporting of outputs against programmatic targets. The relevant national department in consultation with NT, develops a legally binding mechanism that governs the grant's administration and the responsibilities of both the transferring (national) and receiving (provincial) departments. For the HIV CG, this involves the provinces developing annual business plans that specify measurable output and outcome indicators, and a schedule for quarterly reports by provincial and national DOH. Payment for the condom programme is conditional on the number of male and female condoms distributed (Chaitken *et al.* 2016).

In developing the business plans, PDOHs also draw up detailed, activity budgets for each programme intervention based on targets agreed upon with the NDOH. The condom target for each province is set at national level and then devolved to provinces in collaboration with provincial managers. Provincial targets for condoms are based on HIV prevalence, the number of sexually active males and number of sex acts per year and demand trends.

Ensuring adequate funds for the condom programme

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| <p>1) Secure funding at national level</p> <ul style="list-style-type: none"> • Ensure the condom programme is accurately costed, taking into account commodity prices as well as quality assurance, distribution, storage, marketing and promotion information management. • Evidence and advocacy to ensure allocation to programme • Ensure coordination between all sectors (e.g. public and private) for efficiency • Set evidence-based targets to budget accurately | <p>2) Ensure equitable distribution of funding to sub-national level</p> <ul style="list-style-type: none"> • Bottom-up budgeting for accurately planning • Distribute based on need (demand) • Ensure coordination with national DOH when setting targets |
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PROCUREMENT AND PURCHASING OF CONDOMS

In the public sector, male and female condoms and lubricants are procured through a 3-year national transversal tender that is managed administratively by NT as contract managers. The NDOH provides technical support for the tender by means of a technical working group, bid evaluation committees and involvement of the provincial departments of health. The current tender running from 2018 to 2021 includes 23 male condom suppliers and 9 female condom suppliers.

The national tendering process increases negotiation power by creating a larger entity and ensuring that the procurement of commodities such as condoms is not left to the market mechanisms alone. It guarantees a set price for all purchasers (provinces) and avoids those with less purchasing power (due to e.g. smaller populations or disadvantageous geographical locations) having to pay higher prices. However, some challenges have been experienced where suppliers that are located far from a province are not willing to provide condoms, limiting supply (UNFPA, 2016).

Figure 1: Flow of funds



Although the tender is contracted as a national tender, provinces are responsible for purchasing condoms by placing orders with approved suppliers to meet the needs in their province. Provinces are required to procure sufficient stock to have three months' supply available at all times. Whilst the bulk of the national condom budget is allocated to provinces through the comprehensive HIV/AIDS conditional grant, the NDOH retains around 20% to procure buffer stock to also ensure some continuity of supply.

Condoms are purchased by the Supply Chain Management Department at the Provincial Health Office. Condoms are delivered by the supplier to the primary distribution sites (PDSs); warehouses where condoms are stored before they are transferred to the secondary distribution sites (SDSs) based on demand. SDSs include all health facilities and non-traditional outlets. Provinces typically have more than one PDS and there are more than 300 SDSs nationwide. Distribution costs from PDSs to SDSs are incurred by the PDOHs.

Due to the conditional grant reporting requirements, provinces must label their HIV spending as such and specify the programme or intervention, as well as the line items on which funds are spent. Condom expenditure can thus be tracked and monitored by both PDOHs and NDOH on a routine basis which allows for retrospective analysis as well as budgeting going forward. Public sector facilities are also required to record total condom distribution on the District Health Information System (DHIS).

Figure 2: Flow of commodities



KEY SUCCESSES

- 1 Procurement for the condom programme is funded entirely through domestic funding (government and out-of-pocket payments), contributing to the **sustainability** of the programme.
- 2 The national transversal tender process ensures **standardisation** in terms of specifications and quality assurance of condoms and lubricants procured. Through the contract, all commodities need to comply to the strict standards of the South African Bureau of Standards (SABS).
- 3 **Purchasing is devolved** to provincial level where there is better insight into the demand on the ground and allows for the timely ordering of condoms.

KEY CHALLENGES

- 1 Although the condom market consists of two sectors (public and private) factors such as competition in the market and a lack of communication limit the coordination with the private sector to jointly meet the condom needs of the population through a **total market approach**
- 2 **Security of supply:** the majority of condoms procured for South Africa are imported, and when produced locally, most raw materials are imported. Although the national tender makes some provision for price adjustments, the fluctuating Rand/Dollar exchange rate creates a vulnerability. The COVID-19 pandemic also affects the availability of commodities due to country lockdowns and temporary closures at manufacturers.
- 3 **Linking financial and non-financial information:** issues exist around accurate coding and labelling expenditure in the financial systems. As a result, discrepancies are often observed when reporting where, for example, number of condoms procured and distributed often do not translate to actual expenditure. Consequently, significant discrepancies are often observed between provinces in terms of unit cost per condom distributed.
- 4 **Balancing demand, supply and storage:** although adequate supply and buffer stock are important to ensure the continuity of the condom programme, storage of condoms comes at a high cost to the programme. There is a need for more accurate forecasting of demand, as well as increased demand creation to increase uptake of condoms in order to limit storage space needed and ultimately wastage of expired condoms. Overall efficiency in the value chains needs to be improved. Stock is currently still managed manually but with the support of The Global Fund, the DOH is moving to an online stock visibility system.

5

Improving monitoring of condom use: although current best practices are used for monitoring condom in the general and key populations, identifying more effective ways of monitoring remains a challenge.

KEY LESSONS

1

Sound evidence on value for money, such as investment cases can assist in ensuring sustained and adequate resource allocation to an intervention or programme.

2

As opposed to high reliance on donor funding, domestic resourcing of commodities such as condoms, ensure more continuity and consistency in funding, and thus procurement.

3

Countries need to find mechanisms to promote a total market approach that overcome barriers to co-ordination resulting from the private sector competing with the public sector.

4

National-level procurement through multi-year tenders allow for equitable pricing across all provinces. In addition, devolving to sub-national (provincial) purchasing off a national transversal tender allows better insight of demand and uptake on the ground, resulting in better-managed stock levels.

5

Well-functioning accounting and information systems are important for tracking expenditure, budgeting, improving the allocation of resources and improving cost-efficiency of condom programming.

“The national condom tender technical working group and the bid evaluation and bid adjudication committees work together to ensure cooperation between National Treasury, NDOH and provinces to ensure that all parties are involved and make input in terms of what the department needs, including setting targets for the condom programme.”

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“In South Africa we have no choice; it has been proven that condoms are the most cost-effective for preventing HIV transmission”

Mr Nthabiseng Khoza

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